Agenda – Executive Policy Committee – April 5, 2006

REPORTS

Item No. 2 Historical Funding of Handi-Transit Service
File TT-1.3

ADMINISTRATIVE RECOMMENDATION:

That the report be received for information.

ADMINISTRATIVE REPORT

RE: **Historical Funding of Handi-Transit Service**

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **Dave Wardrop, Director of Transit**

REPORT DATE: **January 26, 2006**

RECOMMENDATION: That this report be received for information.

REPORT SUMMARY

Implications of the Recommendation(s):

Key Issues:

- For several years, the operation of public transit, including Handi-Transit service, in The City of Winnipeg has been funded by a combination of system generated revenue, including passenger fares and advertising, The City of Winnipeg tax-support grants and Province of Manitoba grants;
- For internal purposes only, the Transit department allocates the Provincial operating grant between regular and Handi-Transit services based on the relative proportion of funding provided by the City and the Province;
- On this basis, for the years 2001 through 2004, the proportion of Handi-Transit service operating costs funded through Provincial grants fell from 36.8% to 30.2%. For 2005, the amended budget indicates this proportion will increase to 33.6%; and
- In 2004, on average, Provinces provided 20% of specialized transit systems' operating funding across Canada. The City of Winnipeg's Handi-Transit service received approximately 30% of its operating funding from the Province of Manitoba.

General Implications:

X	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment:

Policy implications:

X	No
	Yes

Comment:

Environmental Implications:

X	No
	Yes

Comment:

Human Resources Implications:

X	No
	Yes

Comment:

Financial Implications:

X	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment:

REPORT

REASON FOR THE REPORT:

At its meeting of July 20, 2005, Executive Policy Committee requested Administration prepare a report on funding provided by the Province of Manitoba compared to The City of Winnipeg for the last five (5) years for Handi-Transit services.

HISTORY:

In 1977, the City of Winnipeg began to operate Handi-Transit on a trial basis utilizing Winnipeg Transit bus operators and Handi-Transit vans owned by the City. In 1979, the operation was made a permanent part of the Winnipeg Transit operation.

For several years, the operation of public transit, including Handi-Transit, in The City of Winnipeg has been funded by a combination of system generated revenue, including passenger fares and advertising, The City of Winnipeg tax-support grants and Province of Manitoba grants. Appendix 1 provides a table summarizing this funding back to 1991.

DISCUSSION:

Like several other jurisdictions in Canada, the operation of public transit services in Manitoba is funded by a combination of system generated revenue, including passenger fares and advertising, municipal government support and provincial government support. This has been the case for Winnipeg Transit for many years.

The Province of Manitoba has provided the City of Winnipeg with, effectively, three types of grants to partially fund its current budget.

Operating Grant

The Province of Manitoba regularly provides The City of Winnipeg an operating grant to be used to fund Winnipeg Transit's operations. Prior to 1993, a formula was used to determine the amount of Provincial funding the department would receive. Subject to a maximum, it amounted to approximately 50% of the difference between total operating expenses and system generated revenue. The other half was funded through the City's tax support.

Since then, the Province has provided The City of Winnipeg a fixed operating grant.

General Support Grant

This grant is also regularly provided by the Province of Manitoba. Its purpose is to offset the cost to the City of Winnipeg of the Province's Health and Post Secondary Education Tax Levy (payroll tax). This grant is provided to the City overall. For the Transit Department, it is allocated its relative proportion based on the amount of payroll tax it is charged.

Special Purpose Grants

Generally speaking, these grants are irregular and are designed to meet specific needs. In the 1990's, the Transit Department received special purpose grants to help fund the acquisition of Handi-Transit buses and the expansion of Handi-Transit service through the use of private companies. Recently, special purpose grants have been received for the purpose of Handi-Transit service delivery.

The following table depicts the Operating Funding the Transit Department has or is expecting to receive over the past five years:

		2001	2002	2003	2004	2005 (**amended budget)
System Generated Revenue		$51,052,596	$50,775,521	$52,591,168	$56,491,418	$56,174,840
		52.1%	51.9%	51.1%	52.6%	51.6%
Province of Manitoba	**Operating Grant**	$16,339,000	$16,339,000	$16,854,000	$16,854,000	$19,355,400
		16.7%	16.7%	16.3%	15.7%	17.8%
	General Support Grant	$1,041,165	$1,105,463	$1,120,043	$1,144,257	$1,179,120
		1.0%	1.1%	1.1%	1.1%	1.1%
	Special Purpose Grant	$515,000	$515,000	$500,000	$ -	$ -
		0.5%	0.6%	0.5%	0.0%	0.0%
The City of Winnipeg		$29,064,879	$29,080,826	$31,882,724	$32,854,438	$32,077,567
		29.7%	29.7%	31.0%	30.6%	29.5%
TOTAL		**$98,012,640**	**$97,815,810**	**$102,947,935**	**$107,344,113**	**$108,786,927**

** See notation in Appendix 1.

In each case, the Province's special purpose grants noted above were intended to be directed to Handi-Transit service.

By their nature:

- The special purpose grant is clearly designated by the Province of Manitoba it be used for a specific purpose.
- The general support grant is intended to refund the Health and Post Secondary Education Tax Levy and is related to salary and wage costs incurred.

The operating grant, on the other hand, is effectively discretionary and the City can choose how and on what services to spend these funds. Discretionary to the extent that although it must be spent on public transit services, including Handi-Transit, the Province does not designate to The City of Winnipeg specific amounts to be spent on specific public transit services.

That being the case, it is not unreasonable to expect that some portion of the operating grant is being used to deliver Handi-Transit service. For internal purposes only, the Transit department has allocated this grant between regular and Handi-Transit services based on the relative proportion of funding provided by the City and the Province.

From the foregoing table, the following summarizes the funding proportions that are used to allocate the City and Provincial operating grants:

	2001	2002	2003	2004	2005 (**amended budget)
Province of Manitoba Operating Grant	$16,339,000	$16,339,000	$16,854,000	$16,854,000	$19,355,400
	36.0%	36.0%	34.6%	33.9%	37.6%
The City of Winnipeg	$29,064,879	$29,080,826	$31,882,724	$32,854,438	$32,077,567
	64.0%	64.0%	65.4%	66.1%	62.4%
TOTAL	**$45,403,879**	**$45,419,826**	**$48,736,724**	**$49,708,438**	**$51,432,967**

These proportions can then be applied to the difference remaining after subtracting system generated revenue and the Province's general support and special purpose grants from Handi-Transit operating costs to produce the following:

		2001	2002	2003	2004	2005(** amended budget)
Operating Cost		***$7,205,204***	***$7,426,023***	***$7,752,028***	***$8,160,052***	***$8,599,653***
System Generated Revenue		$796,400	$837,996	$820,922	$937,511	$945,829
		11.1%	11.3%	10.6%	11.5%	11.0%
Province of Manitoba	**Operating Grant**	$2,113,508	$2,178,738	$2,217,663	$2,440,680	$2,869,776
		29.3%	29.3%	28.6%	29.9%	33.3%
	General Support Grant	$22,948	$20,978	$21,674	$22,894	$21,442
		0.3%	0.3%	0.3%	0.3%	0.3%
	Special Purpose Grant	$515,000	$515,000	$500,000	$ -	$ -
		7.2%	6.9%	6.4%	0.0%	0.0%
	Total	$2,651,456	$2,714,716	$2,739,337	$2,463,574	$2,891,218
		36.8%	36.5%	35.3%	30.2%	33.6%
The City of Winnipeg		$3,757,348	$3,873,311	$4,191,769	$4,758,967	$4,762,606
		52.1%	52.2%	54.1%	58.3%	55.4%

This analysis indicates that the Province of Manitoba has funded between 30.2% and 36.8% of the Handi-Transit operating cost over the five year period ending 2005.

For information purposes, the Canadian Urban Transit Association reports:

- As of 2004, on average, municipalities provide 70% of specialized transit systems' operating funding, with 20% coming from Provinces and the remainder from system generated revenue; and

- Provincial operating contributions for specialized transit services have been decreasing over the last 11 years, from 50% in 1994 versus 20% in 2004.

Financial Impact Statement

COMMENTS: As this report has been prepared for information purposes only, there is no financial impact of the recommendation.

Original Signed by P.D. Olafson

Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

NONE

THIS REPORT SUBMITTED BY:

Department: Transit
Division: Finance and Administration
Prepared by: Paul Olafson
File No.

Appendix 1

TABLE – Operating Funding Comparison – 1991 to 2005

YEAR	SYSTEM GENERATED		PROVINCE OF MANITOBA		THE CITY OF WINNIPEG		TOTAL
	$$	**% of total**	**$$**	**% of total**	**$$**	**% of total**	
1991	$40,510,635	52.0%	$17,983,910	23.1%	$19,359,949	24.9%	$77,854,494
1992	40,631,269	50.7%	18,688,003	23.3%	20,822,951	26.0%	80,142,223
1993	41,356,639	51.6%	17,800,440	22.2%	20,983,299	26.2%	80,140,378
1994	42,260,674	52.6%	17,757,959	22.1%	20,292,920	25.3%	80,311,553
1995	40,712,402	47.8%	17,970,531	21.1%	26,524,994	31.1%	85,207,927
1996	43,123,850	49.8%	17,438,112	20.2%	25,997,694	30.0%	86,559,656
1997	46,229,670	50.7%	17,466,125	19.2%	27,421,233	30.1%	91,117,028
1998	47,341,698	52.9%	17,424,946	19.4%	24,810,325	27.7%	89,576,969
1999	48,368,246	53.3%	17,468,007	19.2%	24,937,807	27.5%	90,774,060
2000	49,558,703	52.7%	17,429,311	18.5%	27,099,804	28.8%	94,087,818
2001	51,052,596	52.1%	17,895,165	18.2%	29,064,879	29.7%	98,012,640
2002	50,775,521	51.9%	17,959,463	18.4%	29,080,826	29.7%	97,815,810
2003	52,591,168	51.1%	18,474,043	17.9%	31,882,724	31.0%	102,947,935
2004	56,491,418	52.6%	17,998,257	16.8%	32,854,438	30.6%	107,344,113
2005 (**budgeted)	56,174,840	51.6%	20,534,520	19.0%	32,077,567	29.5%	108,786,927

** Budget amended for:

- additional $2,501,400 provided by Province of Manitoba announced in its 2005/06 budget, after The City of Winnipeg had adopted its 2005 Current Budget. The City of Winnipeg grant was reduced by an equal amount; and
- authorization to overexpend Handi-Transit budget by $848,000 (approved by Standing Committee on Fiscal Issues, July 12, 2005)